



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
LINE OF DUTY ACT PROGRAM**

GASB No. 75 Schedules

With Independent Auditor's Report Thereon

For the Plan Year Ended June 30, 2018

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July 26, 2019

Board of Trustees
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1200 E. Main Street
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INDEPENDENT AUDITOR'S REPORT

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the Virginia Retirement System Line of Duty Act (LODA) Program, as of and for the year ended June 30, 2018, and the related notes. We have also audited the total for all employers of the columns titled net LODA OPEB liability, total LODA OPEB expense, total deferred outflows of resources, and total deferred inflows of resources (specified columns) included in the accompanying schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer of the Virginia Retirement System Line of Duty Act Program, as of and for the year ended June 30, 2018, and the related notes.

Management's Responsibility for the Schedule

The Virginia Retirement System's management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable

assurance about whether the schedule of employer allocations and specified column totals included in the schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Virginia Retirement System management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column totals included in the schedule of net OPEB LODA liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the net LODA OPEB liability, total LODA OPEB expense, total deferred outflows of resources, and total deferred inflows of resources for the total of all participating employers for the Virginia Retirement System Line of Duty Act Program as of and for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Virginia Retirement System as of and for the year ended June 30, 2018, and our report thereon, dated December 14, 2018, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Virginia Retirement System management, the Virginia Retirement System Board of Trustees, the Commonwealth Joint Legislative Audit and Review Commission, and Virginia Retirement System Line of Duty Act Program employers and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

AUDITOR OF PUBLIC ACCOUNTS

ZLB/vks

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Employer Allocations – Page 1 of 2
For the Plan Year Ended and Measurement Date of June 30, 2018

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
State:			
2XXXX	State Police Officers' Retirement System Employees	\$ 1,064,953	9.99800%
3XXXX	All Other State Employees	1,062,877	9.97849%
7XXXX	Virginia Law Officers' Retirement System Employees	4,255,275	39.94918%
	Sub-total State	\$ 6,383,105	59.92567%
Political Subdivisions:			
50001	Arlington County	\$ 441,414	4.14408%
50005	Appalachia, Town of	2,269	0.02131%
50025	Boons Mill, Town of	1,277	0.01200%
50026	Pocahontas, Town of	567	0.00534%
55113	Buchanan County	45,673	0.42879%
55136	Gloucester County	82,977	0.77901%
55139	Greene County	36,311	0.34091%
55152	Lee County	47,800	0.44877%
55167	Nottoway County	17,163	0.16114%
55183	Russell County	53,616	0.50337%
55197	Wise County	52,198	0.49005%
55201	City of Bristol	96,453	0.90552%
55213	City of Petersburg	124,538	1.16919%
55214	City of Portsmouth	379,145	3.55949%
55215	City of Radford	36,028	0.33825%
55220	City of Suffolk	304,819	2.86170%
55221	City of Williamsburg	43,829	0.41149%
55222	City of Winchester	100,141	0.94015%
55224	City of Falls Church	33,617	0.31561%
55226	Front Royal, Town of	23,262	0.21840%
55232	City of Franklin	36,879	0.34623%
55233	City of Chesapeake	658,716	6.18415%
55234	City of Virginia Beach	1,097,008	10.29832%
55235	City of Norton	20,425	0.19177%
55236	City of Manassas Park	34,042	0.31960%
55238	Pound, Town of	4,539	0.04262%
55245	Scottsville, Town of	1,702	0.01599%
55249	Lacrosse, Town of	567	0.00534%
55255	Brodnax, Town of	567	0.00534%

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Employer Allocations – Page 2 of 2
For the Plan Year Ended and Measurement Date of June 30, 2018

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
55259	Richlands, Town of	30,071	0.28232%
55300	Abingdon, Town of	14,184	0.13317%
55301	Dumfries, Town of	6,241	0.05860%
55304	South Boston, Town of	19,858	0.18644%
55306	Remington, Town of	1,135	0.01066%
55310	Smithfield, Town of	10,780	0.10121%
55314	Jonesville, Town of	2,269	0.02131%
55315	Wytheville, Town of	23,546	0.22106%
55317	Vienna, Town of	22,695	0.21307%
55321	Woodstock, Town of	8,511	0.07991%
55327	Christiansburg, Town of	55,744	0.52334%
55330	Chatham, Town of	1,702	0.01599%
55332	City of Manassas	90,921	0.85359%
55334	Boydton, Town of	567	0.00534%
55338	Quantico, Town of	1,418	0.01332%
55354	Big Stone Gap, Town of	8,511	0.07991%
55355	Luray, Town of	12,482	0.11719%
55369	Tazewell, Town of	19,149	0.17978%
55372	Weber City, Town of	2,837	0.02664%
55374	Hurt Town of	1,702	0.01599%
55375	Waverly, Town of	3,546	0.03330%
55378	Courtland, Town of	1,135	0.01066%
55380	Independence, Town of	3,972	0.03730%
55382	Grundy, Town of	4,539	0.04262%
55389	Pembroke, Town of	2,269	0.02131%
55397	Orange, Town of	9,078	0.08524%
55417	Norfolk Airport Authority	34,610	0.32493%
55487	Capital Region Airport Commission	24,964	0.23438%
55869	RSW Regional Jail	0	0.00000%
55899	Shenandoah Valley Regional Airport Commission	7,376	0.06926%
55922	Piedmont Regional Jail	65,248	0.61256%
Sub-total Political Subdivisions		\$ 4,268,602	40.07433%
Grand Total		\$ 10,651,707	100.00000%

The accompanying notes are an integral part of the Schedule of Employer Allocations.

Virginia Retirement System
VRS Line of Duty Act Program (LODA)

Schedule of Net LODA OPEB Liability and Total LODA OPEB Expense – Page 1 of 2
As of the Measurement Date and For the Plan Year Ended June 30, 2018

(Dollars in Thousands)

Employer Code	Employer	Net LODA OPEB Liability June 30, 2018	Total LODA OPEB Expense 2018
State:			
2XXXX	State Police Officers' Retirement System Employees	\$ 31,344	\$ 2,340
3XXXX	All Other State Employees	31,283	2,586
7XXXX	Virginia Law Officers' Retirement System Employees	125,242	10,043
	Sub-total State	<u>\$ 187,869</u>	<u>\$ 14,969</u>
Political Subdivisions:			
50001	Arlington County	\$ 12,992	\$ 996
50005	Appalachia, Town of	67	4
50025	Boons Mill, Town of	38	7
50026	Pocahontas, Town of	17	3
55113	Buchanan County	1,344	104
55136	Gloucester County	2,442	181
55139	Greene County	1,069	86
55152	Lee County	1,407	107
55167	Nottoway County	505	45
55183	Russell County	1,578	130
55197	Wise County	1,537	139
55201	City of Bristol	2,839	224
55213	City of Petersburg	3,666	237
55214	City of Portsmouth	11,159	878
55215	City of Radford	1,061	94
55220	City of Suffolk	8,972	749
55221	City of Williamsburg	1,290	107
55222	City of Winchester	2,947	232
55224	City of Falls Church	989	92
55226	Front Royal, Town of	685	59
55232	City of Franklin	1,085	89
55233	City of Chesapeake	19,387	1,614
55234	City of Virginia Beach	32,288	2,703
55235	City of Norton	601	59
55236	City of Manassas Park	1,002	84
55238	Pound, Town of	133	18
55245	Scottsville, Town of	50	5
55249	Lacrosse, Town of	17	(4)
55255	Brodnax, Town of	17	(1)

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Net LODA OPEB Liability and Total LODA OPEB Expense – Page 2 of 2
As of the Measurement Date and For the Plan Year Ended June 30, 2018

Employer Code	Employer	Net LODA OPEB Liability June 30, 2018	Total LODA OPEB Expense 2018
55259	Richlands, Town of	885	72
55300	Abingdon, Town of	417	33
55301	Dumfries, Town of	184	20
55304	South Boston, Town of	584	45
55306	Remington, Town of	34	3
55310	Smithfield, Town of	317	22
55314	Jonesville, Town of	67	7
55315	Wytheville, Town of	693	59
55317	Vienna, Town of	668	52
55321	Woodstock, Town of	250	19
55327	Christiansburg, Town of	1,641	138
55330	Chatham, Town of	50	5
55332	City of Manassas	2,676	198
55334	Boydton, Town of	17	3
55338	Quantico, Town of	42	1
55354	Big Stone Gap, Town of	250	20
55355	Luray, Town of	368	35
55369	Tazewell, Town of	564	78
55372	Weber City, Town of	83	8
55374	Hurt Town of	50	5
55375	Waverly, Town of	104	8
55378	Courtland, Town of	34	3
55380	Independence, Town of	117	13
55382	Grundy, Town of	133	12
55389	Pembroke, Town of	67	6
55397	Orange, Town of	267	26
55417	Norfolk Airport Authority	1,019	83
55487	Capital Region Airport Commission	735	59
55869	RSW Regional Jail	0	(185)
55899	Shenandoah Valley Regional Airport Commission	217	10
55922	Piedmont Regional Jail	1,920	193
Sub-total Political Subdivisions		\$ 125,637	\$ 10,092
Grand Total		\$ 313,506	\$ 25,061

The accompanying notes are an integral part of the Schedule of Net LODA OPEB Liability and Total LODA OPEB Expense.

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 1 of 2
As of the Measurement Date of June 30, 2018

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer Code	Employer	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments				Total Deferred Outflows of Resources	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments				Total Deferred Inflows of Resources
		Differences Between Expected and Actual Experience		Change of Assumptions	Changes In Proportionate Share		Differences Between Expected and Actual Experience		Change of Assumptions	Changes In Proportionate Share	
State:											
2XXXX	State Police Officers' Retirement System Employees	4,500	-	-	-	4,500	-	80	3,610	1,183	4,873
3XXXX	All Other State Employees	4,490	-	-	1,628	6,118	1	79	3,603	1,006	4,689
7XXXX	Virginia Law Officers' Retirement System Employees	17,978	-	-	5,804	23,782	5	319	14,423	5,831	20,578
	Sub-total State	\$ 26,968	\$ -	\$ -	\$ 7,432	\$ 34,400	\$ 6	\$ 478	\$ 21,636	\$ 8,020	\$ 30,140
Political Subdivisions:											
50001	Arlington County	1,865	-	-	114	1,979	-	33	1,496	411	1,940
50005	Appalachia, Town of	10	-	-	-	10	-	-	8	11	19
50025	Boons Mill, Town of	5	-	-	31	36	-	-	4	-	4
50026	Pocahontas, Town of	2	-	-	13	15	-	-	2	-	2
55113	Buchanan County	193	-	-	64	257	-	3	155	81	239
55136	Gloucester County	351	-	-	-	351	1	6	281	99	387
55139	Greene County	153	-	-	20	173	-	3	123	17	143
55152	Lee County	202	-	-	6	208	-	4	162	47	213
55167	Nottoway County	73	-	-	36	109	-	1	58	-	59
55183	Russell County	227	-	-	26	253	-	4	182	-	186
55197	Wise County	221	-	-	118	339	-	4	177	5	186
55201	City of Bristol	408	-	-	-	408	-	7	327	25	359
55213	City of Petersburg	526	-	-	-	526	1	9	422	421	853
55214	City of Portsmouth	1,602	-	-	36	1,638	-	29	1,285	143	1,457
55215	City of Radford	152	-	-	70	222	-	3	122	-	125
55220	City of Suffolk	1,288	-	-	252	1,540	-	23	1,033	17	1,073
55221	City of Williamsburg	185	-	-	34	219	-	3	149	-	152
55222	City of Winchester	423	-	-	101	524	-	8	339	131	478
55224	City of Falls Church	142	-	-	95	237	(1)	3	114	-	116
55226	Front Royal, Town of	98	-	-	61	159	-	2	79	27	108
55232	City of Franklin	156	-	-	52	208	-	3	125	37	165
55233	City of Chesapeake	2,783	-	-	465	3,248	(1)	50	2,233	-	2,282
55234	City of Virginia Beach	4,639	-	-	2,123	6,762	(7)	85	3,719	965	4,762
55235	City of Norton	86	-	-	86	172	-	2	69	6	77
55236	City of Manassas Park	144	-	-	27	171	-	3	115	-	118
55238	Pound, Town of	19	-	-	47	66	1	-	15	-	16
55245	Scottsville, Town of	7	-	-	-	7	-	-	6	-	6
55249	Lacrosse, Town of	2	-	-	-	2	-	-	2	37	39
55255	Brodnax, Town of	2	-	-	-	2	-	-	2	11	13

Virginia Retirement System

VRS Line of Duty Act Program (LODA)
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 2 of 2
As of the Measurement Date of June 30, 2018

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes In Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes In Proportionate Share	Total Deferred Inflows of Resources
55259	Richlands, Town of	127	-	-	-	49	-	2	102	40	144
55300	Abingdon, Town of	60	-	-	-	9	-	1	48	9	58
55301	Dumfries, Town of	26	-	-	-	38	1	-	21	-	22
55304	South Boston, Town of	84	-	-	-	7	1	1	67	21	90
55306	Remington, Town of	5	-	-	-	5	-	-	4	-	4
55310	Smithfield, Town of	46	-	-	-	46	(1)	1	37	25	62
55314	Jonesville, Town of	10	-	-	-	15	-	-	8	-	8
55315	Wytheville, Town of	99	-	-	-	39	-	2	80	10	92
55317	Vienna, Town of	96	-	-	-	10	-	2	77	17	96
55321	Woodstock, Town of	36	-	-	-	36	(1)	1	29	11	40
55327	Christiansburg, Town of	236	-	-	-	56	-	4	189	9	202
55330	Chatham, Town of	7	-	-	-	7	-	-	6	-	6
55332	City of Manassas	384	-	-	-	8	-	7	308	124	439
55334	Boydton, Town of	2	-	-	-	13	-	-	2	-	2
55338	Quantico, Town of	6	-	-	-	6	-	-	5	12	17
55354	Big Stone Gap, Town of	36	-	-	-	16	(1)	1	29	13	42
55355	Luray, Town of	53	-	-	-	44	-	1	42	-	43
55369	Tazewell, Town of	81	-	-	-	273	-	1	65	38	104
55372	Weber City, Town of	12	-	-	-	12	-	-	10	-	10
55374	Hurt Town of	7	-	-	-	7	-	-	6	-	6
55375	Waverly, Town of	15	-	-	-	15	-	-	12	10	22
55378	Courtland, Town of	5	-	-	-	5	-	-	4	-	4
55380	Independence, Town of	17	-	-	-	22	1	-	13	-	14
55382	Grundy, Town of	19	-	-	-	19	1	-	15	-	16
55389	Pembroke, Town of	10	-	-	-	10	-	-	8	-	8
55397	Orange, Town of	38	-	-	-	12	(1)	1	31	-	31
55417	Norfolk Airport Authority	146	-	-	-	24	-	3	117	8	128
55487	Capital Region Airport Commission	105	-	-	-	75	-	2	85	75	162
55869	RSW Regional Jail	-	-	-	-	-	-	-	-	1,317	1,317
55899	Shenandoah Valley Regional Airport Commission	31	-	-	-	31	-	1	25	52	78
55922	Piedmont Regional Jail	276	-	-	-	283	-	5	221	-	226
Sub-total Political Subdivisions		\$ 18,039	\$ -	\$ -	\$ -	4,870	\$ (6)	\$ 324	\$ 14,470	\$ 4,282	\$ 19,070
Grand Total		\$ 45,007	\$ -	\$ -	\$ -	12,302	\$ -	\$ 802	\$ 36,106	\$ 12,302	\$ 49,210

The accompanying notes are an integral part of the Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer.

**Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Notes to GASB No. 75 Schedules
For the Plan Year Ended June 30, 2018**

Note 1. Summary of Significant Accounting Policies

Description of the Entity

The Virginia Retirement System (the System) is an independent agency of the Commonwealth of Virginia. The System administers four separate pension trust funds – the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), the Virginia Law Officers’ Retirement System (VaLORS), and the Judicial Retirement System (JRS) as well as several Other Post-Employment Benefit trust funds – the Group Life Insurance Program, the Retiree Health Insurance Credit Program, the Disability Insurance Program for state employees, the Line of Duty Act Program and the Virginia Local Disability Program for participating schools systems and local governments.

Administration and Management

The Board of Trustees (the Board) is responsible for the general administration and operation of the pension plans and the other employee benefit plans. The Board has full power to invest and reinvest the trust funds of the System through the adoption of investment policies and guidelines that fulfill the Board’s investment objective to maximize long-term investment returns while targeting an acceptable level of risk.

The Board consists of nine members. Five members are appointed by the Governor and four members are appointed by the Joint Rules Committee of the General Assembly subject to confirmation by the General Assembly. The Board appoints a Director to serve as the Chief Administrative Officer of the System and a Chief Investment Officer to direct, manage, and administer the investment of the System’s funds.

The System issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for all of the System’s pension and other employee benefit trust funds. The CAFR is publically available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500, Richmond, VA 23218-2500. The pension and other employee benefit trust funds administered by the System are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Other Post-Employment Benefits (OPEB) – LODA

The LODA Program is a multiple-employer, cost-sharing plan. The LODA Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health

insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB; LODA Program OPEB expense; information about the fiduciary net position of the LODA Program; and the additions to/deductions from the LODA Program's net fiduciary position have been determined on the same basis as they were reported by the System. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. General Information about the LODA OPEB Plan

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the LODA Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the SPORS, or the VaLORS.</p>
<p>Benefit Amounts</p> <p>The LODA Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • <u>Death</u> – The LODA Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • <u>Health Insurance</u> – The LODA Program provides health insurance benefits. <ul style="list-style-type: none"> ○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or

disability. These premiums were reimbursed to the employer by the LODA program.

- Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Actuarial Assumptions and Methods

The total LODA Program OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
Locality employees	3.50 percent – 4.75 percent
Medical cost trend rates assumption –	
Under age 65	7.75 percent – 5.00 percent
Ages 65 and older	5.75 percent – 5.00 percent
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89 Percent, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non- Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be monitored and factored into future actuarial valuations for the LODA Program if and when sufficient experience develops.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for the periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when the System certifies current income exceeds salary at the time of the disability, indexed for inflation.

Note 3. Net LODA Program OPEB liability

The net OPEB liability (NOL) for the LODA Program represents the total LODA Program's OPEB liability determined in accordance with GASB Statement No. 74, less its fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the LODA Program's OPEB liability are as follows (amounts expressed in thousands):

Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	<u>1,889</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 313,506</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

The total LODA Program OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net LODA Program OPEB liability is

disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Discount Rate

The discount rate used to measure the total LODA Program OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the Statutes, and that they will be made in accordance with the System's funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the LODA Program OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA Program OPEB investments was set at 3.89% for this valuation. Since LODA Program is funded on a current-disbursement basis, it is not able to use the System's Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Sensitivity Analysis – Investment Rate of Return

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the discount rate of 3.89%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate (amounts expressed in thousands):

Net LODA OPEB Liability - 1.00% Decrease (2.89%)	\$ 359,186
Net LODA OPEB Liability - Current Discount Rate (3.89%)	\$ 313,506
Net LODA OPEB Liability - 1.00% Increase (4.89%)	\$ 276,684

Sensitivity Analysis – Health Care Trend Rate

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the Healthcare Cost Trend rate of 7.75% decreasing to 5.00%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a Healthcare Cost Trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate (amounts expressed in thousands):

Net LODA OPEB Liability - 1.00% Decrease (6.75% decreasing to 4.00%)	\$ 267,097
Net LODA OPEB Liability - Current Discount Rate (7.75% decreasing to 5.00%)	\$ 313,506
Net LODA OPEB Liability - 1.00% Increase (8.75% decreasing to 6.00%)	\$ 371,285

Note 4. Deferred Outflows / (Inflows) of Resources

The following schedule reflects the amortization of the net balance of remaining deferred outflows / (inflows) of resources at June 30, 2018. The average remaining service lives of all employees provided with benefits through the LODA Program at June 30, 2018 was 8.45 years. Deferred outflows of resources related to the LODA Program resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA Program OPEB Liability in the financial statements for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA Program will be recognized in the LODA Program expense as follows (amounts expressed in thousands):

Measurement Period Ending June 30, 2019	\$ 810
Measurement Period Ending June 30, 2020	\$ 810
Measurement Period Ending June 30, 2021	\$ 808
Measurement Period Ending June 30, 2022	\$ 918
Measurement Period Ending June 30, 2023	\$ 1,037
Thereafter	\$ 3,716

Note 5. Employer Contributions

Employers' proportionate shares were calculated on the basis of historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution effort to the Other Post-Employment Benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the LODA Program that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions for adjustments for prior periods.

The employer contributions used in the determination of employers' proportionate shares of collective OPEB amounts reported in the Schedule of Employer Allocations was based on the total employer contributions using the plan's contribution rates and the employer's covered participants for FY 2018. This total was \$10,651,707. The employer contributions of \$10,035,000 reported in the LODA Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount less approximately \$616,707 in other employer contributions and adjustments that were not representative of future contribution efforts.

Note 6. Additional Financial and Actuarial Information

Information contained in the LODA Program OPEB Notes to the Schedule of Employer Allocations and Schedule of LODA Program OPEB Amounts by Employer (Schedules) was extracted from the audited financial statements of the System for the fiscal year ended June 30, 2018. Additional financial information supporting the preparation of the LODA Program OPEB Schedules (including the financial

statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR is publicly available through the About VRS link on the System's website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500, Richmond, VA 23218-2500.